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C O N F I D E N T I A L ANKARA 000149

SIPDIS

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TAGS: ECIN ETRD IS PREL SENV TU

SUBJECT: TURKEY PLEASED WITH ISRAELI CABINET APPROVAL OF  
TURKISH WATER IMPORTS

REF: TEL AVIV 127

Classified by Economic Counselor Scot Marciel for reasons 1.5  
(b) and (d).

¶1. (C) Turkey is pleased with the decision (reftel) of the Israeli Cabinet to approve the broad outlines of the sale of fresh water from Turkey to Israel. MFA's Transboundary Waters Chief, Mithat Rende, said that Israeli working level officials had been in Ankara recently to agree on the text of the framework agreement, and Turkey is ready to sign. Details on who will sign and when have not been decided, however. Rende said the signing of the agreement will be a big step but confirmed that the framework agreement is little more than a statement of intention. The important -- and difficult -- details have not been addressed and will take considerable time and effort to resolve. Nevertheless, he expected the water deliveries to commence in 2006.

¶2. (C) Turkey has about 5 billion cubic meters of fresh river water that flows unused each year into the Mediterranean. The deal with Israel to deliver 50 million cubic meters per year for 20 years is just a drop in the bucket. The water will come from the Manavgat river in the middle of Turkey's Mediterranean coast. (Rende emphasized that some Arab countries have accused Turkey of wanting to sell transboundary water, i.e. from the Euphrates River, to Israel. The Manavgat is wholly within Turkish territory.) Turkey built a water treatment plant and loading facility on the Manavgat in 1997, and now intends to privatize the facility. Rende said the facility, which cost \$147 million, would require some upgrades, bringing the total cost near \$200 million. In addition, transport of the water will require a private company to build and operate three specially-built tankers, with the capacity to transport 250,000 tons of water each. He estimated the cost of the tankers at between \$180 and \$200 million.

¶3. (C) The Israel deal is part of a long-standing Turkish dream to develop a "Peace Pipeline" delivering water to the parched countries in the Middle East (from the Gulf States to North Africa). Turkey hopes that the deal with Israel will encourage other water-starved countries in the region to follow suit. Rende noted that the framework agreement will allow Israel to sell the Turkish water to its neighbors. Rende said that Israeli Public Works Minister had suggested that the deal with Turkey could evolve into a regional concept.

¶4. (C) In a related effort, Rende said that Turkey will proceed with a plan to build a \$500 million submerged pipeline to deliver fresh water to Northern Cyprus, with the option of extending the line to include Greek Cyprus.

¶5. (C) Rende would not speculate on what price Israel would pay for the water. He noted that the Turkish water will be more expensive than desalinated water, saying that Sharon's decision was political. He said the GOT had not decided what "royalty" price Turkey would ask for the water. The more difficult issues involve the private companies operating the water treatment and loading facilities in Turkey and the transport operator. Without including other operating costs, if the companies wanted a reasonable 15% return on their total upfront cost of about \$400 million, they would need to bring in annual revenues from the water sales of about \$64 million, which translates to a cost of \$1.28 per cubic meter. With the Turkish "royalty" and operating costs included, the water could easily be triple the price of desalinated water in Israel.

Baghdad minimize considered.  
DEUTSCH